REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

1. REPORT DATE *(DD-MM-YYYY)*	**2. REPORT TYPE**	**3. DATES COVERED** *(From - To)*
02-04-2013	Master of Military Studies Research Paper	September 2001 - April 2013

4. TITLE AND SUBTITLE
Bridging the Economic Development Gap: Establishing a Practical Expeditionary Economics Continuum

5a. CONTRACT NUMBER N/A
5b. GRANT NUMBER N/A
5c. PROGRAM ELEMENT NUMBER N/A

6. AUTHOR(S)
Scribner, Roberto, Major, USMC

5d. PROJECT NUMBER N/A
5e. TASK NUMBER N/A
5f. WORK UNIT NUMBER N/A

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
USMC Command and Staff College
Marine Corps University
2076 South Street
Quantico, VA 22134-5068

8. PERFORMING ORGANIZATION REPORT NUMBER
N/A

9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)
N/A

10. SPONSOR/MONITOR'S ACRONYM(S)
N/A

11. SPONSOR/MONITOR'S REPORT NUMBER(S)
N/A

12. DISTRIBUTION / AVAILABILITY STATEMENT
Approved for public release; distribution is unlimited.

13. SUPPLEMENTARY NOTES
N/A

14. ABSTRACT
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15. SUBJECT TERMS
expeditionary economics, CERP, ASCA, ROSCA, Small and Medium Enterprise, junior officer

16. SECURITY CLASSIFICATION OF:			**17. LIMITATION OF ABSTRACT**	**18. NUMBER OF PAGES**	**19a. NAME OF RESPONSIBLE PERSON**
a. REPORT	**b. ABSTRACT**	**c. THIS PAGE**	UU	59	Marine Corps University/Command a
Unclass	Unclass	Unclass			**19b. TELEPHONE NUMBER** *(include area code)* (703) 784-3330 (Admin Office)

Standard Form 298 (Rev. 8-98)
Prescribed by ANSI Std. Z39.18

United States Marine Corps
Command and Staff College
Marine Corps University
2076 South Street
Marine Corps Combat Development Command
Quantico, Virginia 22134-5068

MASTER OF MILITARY STUDIES

TITLE:

BRIDGING THE ECONOMIC DEVELOPMENT GAP: ESTABLISHING A PRACTICAL MILITARY EXPEDITIONARY ECONOMICS CONTINUUM

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF MILITARY STUDIES

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AY 12-13

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Date: 4 April 2013

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Date: 5 April 2013

Executive Summary

Title: Bridging the Economic Development Gap: Establishing a Practical Military Expeditionary Economics Continuum

Author: Major Roberto Scribner, United States Marine Corps

Thesis: Small and Medium Enterprise-based (S&ME) Expeditionary Economics (EE) is too complex an activity for the United States Military (USM) in post-emergency situations because the USM lacks economic rehabilitation and development expertise. By using a simplified continuum of economic rehabilitation and development managed by junior officers the USM can lay a foundation for inter-agency EE and achieve the stabilizing effect sought by all elements of the United States Government (USG).

Discussion: There is little argument that economic development is essential in creating post-emergency stability. The current methods practiced by the USG, Non-Governmental Organizations (NGO), and USM, involving massive infusions of funds distributed to host nation (HN) governments or smaller infusions of highly restricted funds through programs such as the Commander's Emergency Response Program (CERP), have failed in numerous ways from engendering graft to causing economic distortions. In the journal *Foreign Affairs* economist and entrepreneur Dr. Carl Schramm suggests codifying a military practice of "expeditionary economics". EE envisions the stimulation and support of entrepreneurial activity by military forces in order to spur rapid economic growth during and after conflicts and disasters. In EE, economic development is seen as an integral part of planning and execution with an end result of increased PE stability. This paper proposes a continuum model of EE implemented by the most common forward point of contact with local nationals (LNs), the junior officer, that can begin to work immediately, with a very small initial personnel, training, and monetary outlay.

Conclusion: The USM can contribute to the implementation of EE through execution of a continuum of relatively simple programs executable by the junior officers in direct, daily contact with LNs. These programs help LNs rebuild communities, establish savings, and take loans to begin micro firms. Once this foundation has been established, the USM will have to become a supporting player to civilians with sufficient technical expertise to assist LNs in building S&MEs.

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Preface

I would like to thank the following people for their invaluable direct and indirect assistance in writing this document:

Dr. Frank Gunter at Lehigh University for sharing his extensive experience in Iraq; Dr. Carl Schramm for engaging in a dialogue with me over the last few years and critiquing this paper; Dr. Paula Holmes-Eber for her critique and reminder that the informal economy is a critical sector for enacting the ideas in this paper; Udaiyan Jatar at blueearthnetwork.com who inspires me every time I talk to him; Two very fine Marine Officers that offered invaluable insight into their operations in Afghanistan, whose upcoming book will be phenomenal; Maria Cora Stephens at USAID for sharing her broad and deep experience that spans many countries; Major Ryan Brannon for idea validation and suggesting some new sources; Paul McCollom for reading the rough draft and offering editing advice; Dr. Mark Jacobsen for offering invaluable advice as my advisor; my son Mateus; and most of all, my wife Becky for her patience and support.

REPORT DOCUMENTATION PAGE | **FORM APPROVED - - - OMB NO. 0704-0188**

1. AGENCY USE ONLY (*LEAVE BLANK)*

2. REPORT DATE

3. REPORT TYPE AND DATES COVERED
STUDENT RESEARCH PAPER

4. TITLE AND SUBTITLE

BRIDGING THE ECONOMIC DEVELOPMENT GAP: ESTABLISHING A PRACTICAL MILITARY EXPEDITIONARY ECONOMICS CONTINUUM

5. FUNDING NUMBERS

N/A

6. AUTHOR(S)

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7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)

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2076 SOUTH STREET, MCCDC, QUANTICO, VA 22134-5068

8. PERFORMING ORGANIZATION REPORT NUMBER

NONE

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

SAME AS #7.

10. SPONSORING/MONITORING AGENCY REPORT NUMBER:

NONE

11. SUPPLEMENTARY NOTES

NONE

12A. DISTRIBUTION/AVAILABILITY STATEMENT

NO RESTRICTIONS

12B. DISTRIBUTION CODE

N/A

ABSTRACT *(MAXIMUM 200 WORDS)*

There is little argument that economic development is essential in creating post-emergency stability. The current methods practiced by the USG, Non-Governmental Organizations (NGO), and USM, involving massive infusions of funds distributed to host nation (HN) governments or smaller infusions of highly restricted funds through programs such as the Commander's Emergency Response Program (CERP), have failed in numerous ways from engendering graft to causing economic distortions. In the journal Foreign Affairs economist and entrepreneur Dr. Carl Schramm suggests codifying a military practice of "expeditionary economics". EE envisions the stimulation and support of entrepreneurial activity by military forces in order to spur rapid economic growth during and after conflicts and disasters. In EE, economic development is seen as an integral part of planning and execution with an end result of increased PE stability. This paper proposes a continuum model of EE implemented by the most common forward point of contact with local nationals (LNs), the junior officer, that can begin to work immediately, with a very small initial personnel, training, and monetary outlay.

14. SUBJECT TERMS (KEY WORDS ON WHICH TO PERFORM SEARCH)

15. NUMBER OF PAGES:

16. PRICE CODE: N/A

17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE:	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT
UNCLASSIFIED	*UNCLASSIFIED*	*UNCLASSIFIED*	

Acronyms and Terms

AO	Area of Operations
ASCA	Accumulating Savings and Credit Associations
CERP	Commander’s Emergency Response Program
DOS	Department of State
EE	Expeditionary economics
HN	Host nation
LN	Local national
MFI	Micro finance institutions
MOE	Measures of effectiveness
NGO	Non-Governmental Organization
PRT	Provincial Reconstruction Team
ROSCA	Rotating Savings and Credit Organization
S&ME	Small and medium enterprise
USAID	United States Agency for International Development
USG	United States Government
USM	United States Military

Introduction

The range of military operations undertaken to win the nation's wars has grown in breadth and depth during the War on Terror. Military operations have ranged from state-on-state, combined arms conflicts, to humanitarian/disaster relief, to nation-building. Disaster relief and stability operations became core missions to be practiced with the same level of proficiency as combat operations according to the 2009 publication of DODI 3000.5, *Stability Operations*.[1] The United States Military (USM) is the *de facto* provider of early economic development in conflict and emergency scenarios due to its ability to penetrate and sustain efforts in areas with poor physical security.

The most recent entry of the USM into this milieu began with the belated primacy of economic development and stability operations in Iraq and Afghanistan. The traditional providers of economic development assistance, United States Agency for International Development (USAID) and the Department of State (DOS), lacked the personnel capacity and ability to function in the security environment, leaving the USM to conduct a large portion of the economic reconstruction and development. The USM proved slow to transition from conducting kinetic combat operations, and once it did transition, it did so to poor effect, acting in the stead of development professionals and ignoring lessons learned. Furthermore, the model of top-down, high-dollar aid infusion through a central government proved both slow and inefficient as aid dollars often disappeared through corruption or spending on non-host nation (HN) contractors that exported the dollars with little lasting positive effects through job creation or knowledge transfer. Even with the advent of multidisciplinary Provincial Reconstruction Teams (PRTs), the road towards military-driven development has been fraught with errors.

Economic development is essential in creating post-emergency stability. The current development programs implemented by the United States Government (USG) have failed in numerous ways from engendering graft to causing economic distortions. In the May/June 2010 issue of *Foreign Affairs*, economist and entrepreneur Dr. Carl Schramm suggests codifying a military practice of "expeditionary economics". Expeditionary economics (EE) envisions the stimulation of small and medium enterprise (S&ME) based entrepreneurial activity by military forces in order to spur rapid economic growth during and after conflicts and disasters. In EE country-wide economic development through entrepreneurial incubation by military forces is seen as an integral part of planning and execution, and the end result is increased post-emergency stability.[2]

S&ME-based EE as described above is too complex an activity for the USM due to a lack of economic development expertise. By developing a continuum of economic rehabilitation that begins with simple activities within the capabilities of company-grade military officers, the USM can lay a foundation for later S&ME level EE. This paper proposes a continuum model of EE implemented by junior officers, who are the most common forward point of contact with local nationals (LNs). This continuum can be implemented with a minimal outlay of personnel, training, and capital. The primary mission of the military EE practitioner is to set the conditions for civilian development organizations to enable the building of S&MEs.

Commander's Emergency Response Program (CERP)

This popular program, which provides the majority of the money spent by military units in today's combat zones, must be discussed to differentiate it from EE. CERP has little in common with EE because CERP is meant to create an effect for the commander through means other than kinetic combat operations. CERP specifically eschews job creation, invalidating the primary benefit of startup creation, and is incapable of developing an entrepreneurial base or assisting existing businesses to become S&MEs.

CERP began as an emergency measure during the post-conflict period in Iraq. When millions of United States dollars were found in Ba'ath Party accounts, a process for their use by military commanders was developed by the Coalition Provisional Authority (CPA) and Commander, Combined Joint Task Force 7 (CJTF–7). CJTF-7 Fragmentary Order (FRAGO) 89 set forth basic guidelines for the use of CERP to assist in "the building, repair, reconstitution, and reestablishment of the social and material infrastructure in Iraq." [3] FRAGO 89 specifically forbade the use of CERP funds in "supporting individuals or private businesses..."[4] CERP thus had little or no direct impact on entrepreneurship. The focus was firmly on putting Iraqis immediately to work on clean-up projects and rebuilding infrastructure.

When seized funds were exhausted in 2003, the United States Congress appropriated $180 million to continue CERP. The language of the authorization focused on immediate impact by: "enabling military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the Iraqi people, and to establish and fund a similar program to assist the people of Afghanistan…"[5] As the USM took on the dominant role in executing economic reconstruction, especially in Afghanistan, CERP expanded the authorized range of supportable activities to include "Micro-Grants to individuals or small businesses."[6]

In their current iteration, CERP micro-grants are authorized to "provide cash, equipment, tools, or other material support (*in-kind contributions preferred*) [emphasis in original] to small businesses that lack available credit or financial resources,"[7] with an express intent to increase economic activity. The focus is on areas where violence has affected the ability of a business to operate and on businesses that "provide humanitarian relief and/or can support humanitarian assistance operations and reconstruction."[8] The micro-grant program seeks to increase economic activity by providing assistance to "disadvantaged" existing businesses, defined as those that either lack funds or lack access to credit under reasonable terms. Commanders are to choose business that will have a long-term local economic impact.

CERP restrictions ensure that micro-grants only go to existing businesses. An exception may be made for startups, but these grants are mostly restricted to entrepreneurs with college degrees.[9] The recommended cap for the grant is $2,500 and applications must be submitted along with a simple plan before a background check is performed on the individual requesting the grant. Approval authorization for grants up to $5,000 can be made by a USM officer at the O-5 pay grade who is a commander after a legal review of the grant has been undertaken. Grants up to $10,000 must be authorized by a USM officer at the O-6 pay grade who is a commander, and, in Afghanistan, grants over $10,000 must be authorized by the United States Forces commander, a general officer. A legal review is necessary at each level. Some job creation is seen as an "expected collateral benefit of the micro-grant program", but "the program may not be used as a general purpose job creation program."[10]

In practice, CERP micro-grants are more restricted than they appear due to the level of perceived liability of the commander for Congressionally appropriated funds and the byzantine approval process. CERP is not designed to create businesses and so it does not allow for the level of failure necessary to create a functioning base of startups. The approval speed of CERP-funded projects is also antithetical to the entrepreneurial process. Approval for grants can take months.[11]

The effects-based nature of CERP micro-grants leads to choosing winners and further degrades the efficacy of the program in supporting EE. In a typical example, micro-grants were given to potential informants who operated a business that could/would be frequented by the enemy. In return for the money, the business owner would inform the coalition of enemy activity associated with the business, usually a social enterprise such as a food stand or a tea shop. While this might have been effective in generating intelligence regarding the activities of low-level enemy fighters, the economic impact was negligible.[12]

The use of CERP to pay for post-conflict direct employment for clean-up or reconstruction has also proved to be highly distortionary. Overpayment with CERP funds has led to predictable results as other forms of productive work are abandoned in favor of inflated payments from the USM, which also leads to local price inflation. In total, CERP is not compatible with a broad-based program to engender entrepreneurial activity. The very nature of CERP is to provide a commander with an additional method of creating an effect within his or her area of operations, and not to pursue a program of EE that will transform the society.

What is Entrepreneurship?

Howard Stevenson famously described entrepreneurship as "…the pursuit of opportunity beyond the resources you currently control."[13] The official USG definition of an entrepreneur is "a person who organizes and manages a business undertaking, assuming the risk for the sake of profit."[14] At the simplest level, entrepreneurs take a risk to fill a marketplace need by starting an enterprise. The goal is financial gain, although the ultimate end may include a variety of "goods" such as improving one's social position or providing for a family. An entrepreneur is by definition a risk-taker and this risk is normally financial. Entrepreneurs often incur risk to the basic means of maintaining their social and financial *status quo* in order to progress.

Why is Entrepreneurship Good?

Entrepreneurs start new businesses, “startups,” which can be defined as enterprises less than five years old. In nearly every country startups are the critical engine of the economy because they create jobs. From 1980-2005 nearly all net job growth in the United States derived from startups.[15] Micro firms, defined by the Small Business Administration (SBA) as firms with one to four employees, accounted for an average of 20 percent of jobs created each year from 1980-2005.[16] Entrepreneurial activity, manifested as the creation of new enterprises, is the major engine of economic growth because of job creation. Additionally, micro firms account for a significant percentage of entrepreneurial job creation, greater than that of large startups that employ 250-499 people.[17]

What are the Pros and Cons of Expeditionary Economics?

Dr. Schramm’s article excited a flurry of discussion and symposia at the highest levels of the USM because EE was perceived as having the potential to improve the ability of the USG to stabilize countries post-emergency, but there are critical gaps in the formulation.

Pros of Expeditionary Economics

EE builds on proven structures and theories, but can adapt to a local approach.

The United States has historically been a highly entrepreneurial country. American entrepreneurship provides a starting point from which adjustments can be made. Conversely, EE recognizes that there is no “normal” path for development and that there are many different ways towards success.[18] The USG’s economic rehabilitation methodology has not been fully successful in recent applications and many countries have no “market” in the Western sense of the word. Forcing less developed countries to quickly develop American-style market economies distorts traditional processes and safeguards. What almost all countries have in common economically is that entrepreneurs create startups. By using a bottom-up approach focused on building entrepreneurial activity, EE empowers entrepreneurs to build self-sustaining organic markets.

EE is practiced concurrently with all operations.

EE envisions military operations as a process of invasion, stabilization, and economic reconstruction.[19] It proposes a development methodology that can be undertaken during a conflict because it is military-driven. EE occurs in conjunction with military operations, fully integrating economic development from the earliest stages of planning. This forces the USM to ensure that the plan for recovery is as detailed as the plan for combat.

EE potentially resolves the problem of the USG delegitimizing the HN government.

Post-emergency stability relies on the LN's perception that their government is capable of effective governance. When the HN government is supplanted as the primary provider of governance, or the HN government is seen as a puppet of an external force, foreign aid becomes counterproductive.[20] Because EE works from the bottom-up, directly empowering individual entrepreneurs, it does not delegitimize a government. Entrepreneurship is inherently a private-sector, individual activity and can be nurtured without significant impact on the perception of a government's ability to provide services.

EE recognizes the need to professionalize military economic development activity.

EE recognizes that the USM does not have the requisite experience to implement S&ME-level EE.[21] The lack of a core competency in economic development activity is recognized, but is seen as a challenge that can be overcome by development of doctrine and techniques, tactics, and procedures coupled with formal training. The development of doctrine and the conduct of complex training are core competencies of the USM that can be applied to ensure that members of the military can perform "modest, yet more effective projects."[22]

Cons of Expeditionary Economics

There are very few formal entrepreneurs, even in a first-world country.

Only .28 percent of the United States population are entrepreneurs.[23] This small population exists in the country ranked as the fourth easiest place to do business in the world[24], with a long-standing entrepreneurial tradition where entrepreneurs are lauded and lionized. Furthermore, entrepreneurs have a strong tendency to come from entrepreneurial families.[25] The countries where the USM is, and will be fighting, tend to rank in the bottom third of the Ease of Doing Business Index[26], where it is more difficult for an entrepreneur to start a business.

EE theorists posit that S&MEs, businesses that employ 10 to 250 persons, are at the heart of economic development. S&MEs drive the developing world's economy through job creation in the same way that startups support the United States economy.[27] Organization for Economic and Co-operative Development (OECD) figures show that S&MEs represent more than 95 percent of manufacturing and service businesses and generate over 65 percent of non-public sector employment worldwide[28], but in nations devastated by conflict and/or disaster these are not easy businesses to start. Neither is entrepreneurship simply a set of skills that can be learned. A person can learn and understand all aspects of finance and not be capable of becoming an entrepreneur. In essence, being an entrepreneur is less about what a person knows and more about having a certain type of personality. Per Stevenson, entrepreneurship is antithetical to the preoccupation with simple survival experienced by people in a conflict zone.

Despite the low density of formal entrepreneurs, there exists a large source of entrepreneurial economic activity also ignored in EE. The informal economy, or those economic activities that take place outside of the officially regulated and recognized markets[29], contributes an estimated 25 to 40 percent to the Gross Domestic Product (GDP) of developing nations in

Africa and Asia.[30] By focusing on S&MEs, EE ignores this significant economic driver, especially in underdeveloped countries or post-emergency situations. Because of the distributed and sometimes illicit nature of informal businesses, informal economic activity is resistant to interruption by conflict or emergencies. Much of the activity in the informal economy is entrepreneurial in nature and involves a significant amount of micro-enterprises among the disadvantaged in that society.

Today's USM is ill-suited for providing entrepreneurial advice.

An advisor must understand the mindset of entrepreneurs along with the basics of accounting, finance, business administration, and the general challenges startup creation. This understanding does not exist even at the highest level of military command, and most contact with LNs is at the company-grade officer level, where military personnel are still working to grasp the tenets of tactical-level operations. The few personnel within the USM capable of advising S&ME-level entrepreneurs do not represent a critical mass necessary to institutionalize an advisory practice. Even with civilian advisors embedded in military units, or units such as PRTs, the capacity of the USM to conduct this type of operation is limited. Even if the population is literate, it is difficult to train someone to start and operate a business. The entrepreneurial aspect of starting a business is even more difficult to teach. [31] In the end, the USM is simply not organized, trained, or equipped to advise entrepreneurs.

It can be argued that the practitioners of EE need not be entrepreneurs, but the required skill set would require prohibitive amounts of training. Some EE theorists suggest the re-establishment of the Marshall-era School of Military Government.[32] In a time of steeply declining budgets the advisability of undertaking this major enterprise, focused on non-existential conflicts, which clearly crosses into the sphere of the DOS, is very low.

EE potentially confuses the lessons of past reconstructions with the reality of constructions.

The post-WWII reconstructions of Germany and Japan are oft-cited examples of successful military-led post-conflict development, but these cases are not easily replicated. Japan and Germany were advanced industrial economies and had significant surviving knowledge and infrastructure. These were re-constructions while current and future operations in failed states and developing nations typically must construct the intellectual and physical infrastructure of a viable market economy and government. Total mobilization for war drafted civilians with critical skill sets. Today's professional military does not contain these experts and must focus on war-fighting due to resource constraints. For further discussion see Appendix A.

EE overly discounts critical elements of traditional development practices

EE downgrades the importance of developing government-level capabilities such as the rule of law, corruption, and market regulation.[33] While entrepreneurial activity is the economic engine for countries at the top of the Ease of Doing Business Index, it flourishes in a benign regulatory environment where entrepreneurs are assured of access to credit, contract enforcement, and respect for property rights.[34] Appendix B: Table 1 shows a country comparison of these factors and illustrates that creating an environment conducive to entrepreneurial activity is a combination of top-down and bottom-up approaches.

Applying Expeditionary Economics in the Real World

EE can be looked at using a levels of war model[35] and this paper concerns itself with the tactical level. Tactical level EE focuses on actions taken by military and development personnel identifying, training, and supporting entrepreneurs. The military will probably be the point of first contact with LNs during an emergency, with other agencies arriving later due to security constraints. There must be a continuum of USM-led rehabilitation and development activity that sets the conditions for

S&ME-level entrepreneurship. It is within the capabilities of the USM to lay a foundation for follow-on organizations to implement EE at the S&ME level. The end state of this process is the setting of favorable conditions for civilian organizations to enable the building of S&MEs.

The EE continuum must be tailored to the culture, situation, and capabilities of the HN, and may vary between rural and urban, literate and illiterate populations, taking into account a host of social considerations. However, the continuum must be relatively simple because junior officers will implement the initial EE program. There are a plethora of nuances that cannot be captured without making execution too complicated for the intended practitioners. The continuum must take this into account to make implementation possible by the USM structured, trained, and equipped as it is today.

Restraints and Constraints

Limitations must be recognized in order to draw boundaries for the program of action.

LNs must own and operate programs from inception.

There cannot be a period where the development program is transferred to LN control, and the associated growth and development must continue after the USM and USG have left. In a low-security environment this "de-Americanizes" the program, making it less of a target for forces that may seek to discredit the effort. Additionally, in this type of security environment many small projects are more difficult to disrupt than a few large ones.[36] This also eliminates the practice of the USM "picking winners," ensuring political and social neutrality.

The programs must be initially low-cost to the USG/USM.

The high failure rate of startups and the low density of entrepreneurs necessitate widespread application of early economic programs. From July 2003 to June 2007 organizations lent $97,953,939 in the form of 47,655, $2,000 micro-loans, to business startups in Iraq[37], a country with a population of approximately 25 million and a per-capita income of approximately $2,700.[38] These micro-loans represented the vast majority of direct investment in startups because USM-funded assistance programs specifically forbade the issuing of funds to individuals to create businesses.[39] At a rate of approximately $4.40 per Iraqi, this did not represent the financial critical mass to create sufficient startups to have an economy-wide effect. Since it is difficult to calculate the capital needed in a fluid post-emergency situation, one approach is to use a highly entrepreneurial society as a guide. During each month of 2011 an average of .32 percent of the population of the United States started a business.[40] It is desirable to have the HN start businesses at this rate. In this non-scientific methodology, the rate of entrepreneurship in the United States is applied to the population of the HN, yielding the total number of startups per month/year desired to match the rate in the United States. To estimate the capital required, the number of desired startups is multiplied by per capita income to yield a dollar figure for the initial program outlay, assuming that a micro firm can be started with a year's worth of income. A simple formula to calculate this is **((R% * P)* 12) * I = F**, where *R%* = Rate of US monthly entrepreneurial activity, *P* = HN population, *I* = HN per capital income, and *F* = USD required to fund the program for one year. The result of this formula is a gross estimation, but it provides a guide to sufficiently fund USM-led initial rehabilitation and development until a specific needs assessment can be conducted.[41] For a detailed application of this formula, see Appendix A.

The initial goals must be modest and executable at the tactical level of EE.

The requirements levied upon the USM must be executable by junior officers in command of platoons and companies. Junior officers cannot be concerned with the building of dams, highways, or power plants.[42] These projects are simply too large in scope for junior officers to manage.[43] Their goal is to minimize the possibility of societal collapse before any advancement in economic program complexity.

The HN government must not be delegitimized by the practice of EE

EE's bottom-up approach is one mechanism for preventing the HN populace from believing that their government is powerless to help them. Bottom-up programs must be community-based to ensure that the populace's focus is on what they can achieve for themselves vice on what the HN government is not providing. EE must be conducted in conjunction with top-down programs aimed at fostering a strong and stable government to strengthen the political and financial infrastructure of the HN. If governmental level banking, credit, and market systems are not stable by the time nascent micro firm entrepreneurs are ready to make the leap to S&MEs, the EE effort will slow due to a lack of systemic capacity.

Measures of effectiveness (MOE) are necessary, but need to be carefully chosen.

The USG's money cannot be spent without MOE, but junior officers do not have hours to fill out complex reports. Traditional MOEs such as employments rates are nearly impossible to calculate for even well-equipped organizations with economists and pollsters on staff in conflict zones.[44] The ability to obtain reliable data at the macroeconomic level is very limited.[45]

There are methodologies for measuring development program effectiveness at the macroeconomic level, but these rely on complex scientific polling and analysis. Assessment tools, such as the USAID Poverty Assessment Tool (PAT)[46] are specifically tailored to each HN, a time-consuming process that requires a significant investment. The time and resources necessary for executing these types of surveys are not extant at the platoon or company level. MOEs must be evaluable during tactical movements such as patrols and easily recorded and compared to previous results.

A simple impact assessment tool is best suited to the purposes of the platoon or company commander executing an early EE program. This tool must capture basic data to provide follow-on development organizations with a starting point when they take primary responsibility for the program. This early-stage impact assessment must be:

- Executable in conjunction with normal tactical operations such as patrols.
- Simple for the military practitioner to execute, thus ensuring adherence to data recording.
- Capable of providing analysis of trends over time.
- Executable by existing staff within the infantry platoon or company.
- Useful to development professionals.
- Low or no-cost.
- Executable without the use of a translator and picture based for illiterate clients.

Benjamin Franklin advocated a simple system for evaluating economic conditions that involving walking the same route at regular intervals to evaluate visible economic changes.[47] The impact of development projects can be estimated by using easily observable criteria.

The Military Expeditionary Economics Continuum

The continuum depicted in Appendix B: Figure 1 is deliberately simplified for execution. Economic/social rehabilitation and development are very complex endeavors and the junior officer is in a situation where this activity must be conducted during combat. Early EE must be carried out junior military officers: 23-30 year old mostly white men, with various types of bachelor's degrees from schools of varying quality, and usually no more than one or two years of formal training, most of it focused on tactical-level military techniques and procedures. A simple system, with easily digestible objectives, executable by the junior officers that are most often the early point of interface with LNs, usually during or directly after combat operations, is better than a more complex system that will be implemented at a later time with more resources.

Early Stabilization

During this period of highly uncertain security the USM is either conducting combat operations or first on site post-emergency. Cash grants are the best vehicle for achieving the desired end state of the maintenance of basic survival conditions as well as social and economic stability. There are several reasons why it makes sense for military practitioners to use grants during the conflict itself and why the concept of "post-conflict" is different for military and civilian development practitioners.

Most models for reconstruction and development begin during a time that is defined as "post-conflict/post-disaster". There are some highly technical definitions of "post conflict,"[48] but most organizations operate on their own definitions and see their role as beginning after stabilization of the security situation. EE sees development as being concurrent with combat operations. It is critical that LNs immediately be given the tools to begin recovery and regain stability. This cannot wait until the AO reaches a nebulous "post-conflict" milestone.

In this phase of the continuum officers are empowered to make grants in order to promote stability. There are several similarities to the CERP program at this point, but much greater spending flexibility is needed than provided for in that program (see discussion in Appendix A). Grant authority must be pushed to the lowest level in order to make a swift and definite impact. A military unit encountering LNs affected by combat action can immediately put the LNs to work on a project deemed impactful by the unit commander. Grants are well-suited to providing work cleaning up an afflicted area, re-establishing basic productive capacity, or providing psychological stability. Grants should be renewable, especially since the next step will be to provide the LNs with a means of saving money.

To limit economic distortions and inflation, grants must be equivalent to daily wages in the area prior to the arrival of the USM. The goal is to replace lost income at the previously available local rate, not to improve the grant recipients' quality of life beyond their pre-emergency status. Paying more than the original daily rate will result in classic inflation and begin a cycle of economic distortion. Additionally, there will be no incentive for the populace to move beyond this phase; overly generous grants will wreck the entrepreneurial impulse and give rise to rent-seeking[49] behavior. In Iraq a disregard for basic principles of economics by the USM led to doctors working as truck drivers.[50] A similar situation in Afghanistan saw district schools close as inflated, USAID-paid rates for manual laborers led teachers to leave their posts.[51]

In preparing for grant distribution it is important to note that barter economies are widespread in rural areas. It took ten years for international development agencies to convert Southern Sudan from trade in salt and soap to paper currency.[52] The EE practitioner must be prepared for the local concept of currency because this period of insecurity is a poor time to establish a new transactional medium. For the impact assessment for this stage see Appendix A.

Early Rehabilitation and Development

When the military mission shifts from kinetic, enemy-focused operations to increasing security, it may be appropriate to progress portions of the HN populace beyond the receipt of grants. The cessation of grant aid cannot be based on a monolithic milestone. An urban area heavily affected by fighting may require grant aid longer than the surrounding agricultural area, which may not have been subject to intense military action, e.g.. Grants and follow-on programs may need to coexist for an extended period of time as different segments of the population recover at different rates. There is no exact formula to determine when grant aid should end and savings plans should begin, but the positive effects of savings plans make it desirable to initiate them as quickly as possible.

Savings Plans

The main benefit of community-based savings plans is the smoothing of the rise and fall of income throughout the emergency and post-emergency period. It is critical that vulnerable persons have the means to deal with unforeseen circumstances. Psychologically, group-based savings methodologies provide a modicum of insurance and a safe place for a community to meet. Community-based savings programs are low-overhead, well-codified, usable by illiterate populations, and highly flexible. Savings groups can be established in areas where the local wage is as low as $2 per day; in Africa, contributions average $0.35 per month.[53] The detailed manuals for these programs are written for NGO or local field agents and provide a simple methodology easily grasped by a junior officer. Manuals are generally open-source, field-tested, detailed, and structured much like a military standard operating procedures.

Rotating Savings and Credit Organizations (ROSCAs) are traditional savings systems that exist on several continents.[54] These community-based savings clubs are composed of a set number of members regularly contributing a small, equal, pre-determined amount into a fund. The fund is issued to one member each time everyone has paid, or the fund reaches a pre-set limit. The fund continues until each person has been paid once, at which time the fund may then be continued or ended. ROSCAs are easy to administer, do not require literacy, and can be used to buy items or make investments. Their greatest limitation is rigidity. ROSCAs cannot help all members respond to a market opportunity and do not provide insurance against economic downturns since funds are paid to one person at a time.

Because ROSCAs are extant in many cultures this creates a high level of initial acceptability for Accumulating Savings and Credit Associations (ASCA) methodologies such as CARE's Village Savings and Loan Associations (VSLAs), and Catholic Relief Services' (CRS) Savings and Internal Lending Communities (SILC). ASCA methodologies improve on ROSCAs by allowing the members to borrow from the fund and are thus better aligned with the strategy proposed in the continuum. ASCAs provide four benefits to their members: savings, loans, insurance, and an investment return. Lending grows the fund via profits and provides a measure of insurance. After a pre-determined time span, funds, consisting of contributions plus interest gained from loans, are paid out to group members. The ASCA can generate sufficient capital for multiple members to start a micro firm and introduces the group to keeping records, cooperating with others to create a working enterprise, and the opportunity to build a business.

Due to their short loan periods and small initial loans since capital builds over time, ASCAs are of limited utility in directly developing S&MEs. An ASCA, however, is a stepping stone and achieves key ends in the EE program. First, it creates savings, which ameliorate periods of income instability, and rebuilds the ability to spend money. Secondly, the ASCA reinforces community bonds, increasing psychological and social stability. Thirdly, ASCAs start LNs on the road towards S&MEs by providing investable capital to start a micro firm.

There are an estimated 250,000 savings groups operating in Sub-Saharan Africa alone, with 90 percent of groups surviving past the five year mark.[55] Appendix B: Table 2 illustrates the success of savings groups based on the five-year Saving Groups Information Exchange (SAVIX) study begun in 2009. This study tracks a random sample of 331 savings groups representing 33 separate projects administered by a variety of NGOs in six countries. In the third year of the study, 2012, 315 of the 331 groups, or 95 percent were still in existence. Within those groups, 98 percent of the group members remained part of their groups during the savings cycle and 83 to 86 percent attended meetings over the three year period of the study. Capital use within the sample groups is very active and relatively efficient with an average of 97 percent of savings as a percentage of loans outstanding from 2009 to 2012, 65 percent of members with an outstanding loan from the savings group in 2012 and a 56 percent return on assets (commonly referred to as "return on investment") in 2012. These statistics represent a thriving community of savings groups that do not generally exceed 25 members, build on pre-existing relationships, and facilitate long-term financial and social bonds. In 2012, savings group members in the sample saved approximately 7 percent of their income, a sustainable rate of contribution. This low financial bar to participation allows the poorest members of the community to save. Issuing grants in the previous step of the continuum can further lower the bar for entry.

As illustrated by Appendix B: Table 3, amongst a sample of 83,044 savings groups serving 1,906,384 members in 22 countries surveyed in one recent fiscal quarter, loans past due as a percentage of loans outstanding was only 0.35 percent. The remainders of the statistics closely correlate with the SAVIX sample. Among the larger sample, the average cost to the NGO per savings group member assisted is $22.41, with a low of $1.99 to a high of $69.53. The average quarterly cost to administer the groups in this sample was $273,000, with a high of $1.24 million and a low of $514. These figures represent allocations well within the means of the USM to administer and track. For the impact assessment for this stage see Appendix A.

Soft Loans

ASCA creation becomes an enduring task for junior officers because the majority of LNs will not progress past the capabilities offered by this type of program. Soft loans, the next phase in the continuum, mark an important transition from rehabilitation/stabilization to development.

Soft loans are subsidized loans made with no interest or less interest than is required to cover the expenses of the lender.[56] The primary objective at this stage is to provide a large number of relatively high-risk loans to potential entrepreneurs who would otherwise not have access to credit.

Establishing the Loan Fund

Experiences in Somaliland and elsewhere show that lending through an established ROSCA or ASCA, and holding the entire group responsible for each loan, is an effective way of conducting loan distribution and accountability.[57] These types of lending associations have been successful in similar forms in varying countries and cultures.[58]

The military officer capitalizes the loan fund and establishes the loan cap. Capital amounts are determined by the issuing officer in consultation with the recipient group. Soft loan capitalization must be calculated to ensure there is sufficient money to cover multiple loans, but overcapitalization pressures the group to make loans to show that the capital is working, and can cause capital to become stagnant since it cannot be loaned. Loan caps must be sufficiently high to allow necessary investments and interest rates must be low enough to allow repayment without undue burden or negative affect on the growth of the startup.

Loans can only be used for business purposes and require a simple business plan: a verbal or written outline of the product or service to be offered, an estimate of the market available, how the product or service will be offered, and how the loan will be used to start or grow the business. The lending decision is made by the issuing group because members are best suited to understand if a particular proposal will be successful within their market. Through economic self-interest, the group will probably choose those plans that have the best potential to succeed. If they do not, they will run out of capital and may not receive more. Groups can also choose the guarantee mechanism if the individual cannot repay the loan. If the loan is approved, the funds are issued after repayment and interest schedules are established.

Calculating Interest Rates

It is preferable to charge minimal or no interest at this stage because the goal is to encourage borrowing vice creating a self-sustaining fund. Loan interest servicing should not cost the borrower more than 10 percent of their average daily wage to ensure that the loan does not pose a threat to basic subsistence. This also ensures that the borrower's efforts are focused on growing the startup vice working to service loan interest. A significant time period should be allowed before repayment begins to allow investment of the loan and the generation of profit.[59]

The charging of interest is problematic in some religions and cultures, but this can be overcome in several ways. One approach is to charge an origination fee upon loan issue.[60] If $100 is lent, $90 is issued to the borrower, $10 is held back by the group, and the borrower repays the full loan amount of $100. Another approach involves working with local religious leaders. In Najaf, Iraq, CHF International worked with an Ayatollah who issued a *fatwah* stating that interest accruing to a group would be acceptable under *sharia*. CHF, however, eventually moved to the origination fee system to ensure that there were no local objections.[61]

Encouraging Loan Repayment

The military practitioner does not have the capability to establish an extensive loan portfolio control system and thus it is important to utilize techniques that rely upon existing social, cultural, or religious systems. Group peer pressure engendered by lending through the ROSCA or ASCA is a simple and potentially effective option, but additional tactics for increasing the likelihood of loan repayment may be necessary depending on the local situation.

One option is to use an individual guarantor system. In Somaliland, it was required that an elder, the senior male head of the clan, guarantee each individual's loan.[62] Another option is the use of religious leaders to perform this function. The individual guarantor mechanism will vary based on local culture; however the officers in charge will be in intimate contact with this hierarchy and can best determine the appropriate target. The guarantee of an individual should not be over-emphasized unless the group guarantor mechanism is judged to be ineffective.

A second option is the stepped approach, an appropriate mechanism where social structures are severely compromised or within semi-permanent social structures such as internally displaced persons (IDP) camps or nomadic groups. In this approach, used most notably with Sierra Leonean IDPs, borrowers are incrementally tested for reliability and business acumen with graduated loans. The stepped approach utilizes savings groups to provide peer pressure in the transition from self-funded savings to externally financed loans. In the first step, the borrower is issued a small grant to invest in creating an income-generating venture. If the borrower invests this small grant and reinvests the profits, he or she is issued a second grant. Continued performance gains the borrower a small, low interest, short term loan. Positive performance is then rewarded with larger loans with longer terms.[63] At the savings group level, the military practitioner can incentivize the group to be vigilant by issuing additional capital to the group upon each full loan repayment.

Performance certificates can serve as another tool to encourage loan repayment and introduce the concept of individual and group credit history. Individuals successfully repaying loans on time are issued a certificate listing their loan repayment history.[64] This can serve as an important screening tool for later microfinance efforts, giving micro finance institutions (MFIs) a way to leverage work done by the USM and providing an easily identifiable pool of high-quality/low risk borrowers. Coordination with organizations conducting subsequent activities can lend significant weight to these instruments.

Professionalizing the Loan Program

Soft loans can become self-sustaining if the organization issuing them has little or no overhead and default rates remain low. There are, however, tradeoffs to a low or no-overhead organization. Although the savings group system nurtures a community's entrepreneurial spirit, it lacks a professional staff dedicated to building businesses and entrepreneurs. The military practitioner should consider hiring a local portfolio manager whose full-time job is to track portfolio performance, mentor troubled and successful entrepreneurs, and watch for trends over multiple savings groups. This concentration of power engenders a need for the military officer to supervise the manager to prevent corruption and graft. It is possible to pay a loan administrator from grant funds to solve the issue of compensation and professionalization. Creating these permanent structures that will continue to move the HN populace towards creating S&MEs is highly beneficial and sets the conditions for the establishment of MFIs in later stages of the continuum. For the impact assessment for this stage see Appendix A.

Rehabilitation and Development

The primary mission of the military EE practitioner is to set the conditions for civilian development organizations to enable the building of S&MEs. Micro finance presents a methodology to achieve this end, but building MFIs is beyond the capabilities of the USM at any level. Micro finance or micro credit refers to a broad array of services and products, but are commonly understood to be small loans, with an upper range of around $2,000, to poor people who do not have access to traditional sources of credit.[65] An MFI is a bank requiring professional managers and financial controls. Experience from across the spectrum of development programs shows that successful, self-sustaining MFIs reach that status in three to five years and have a capitalization of more $200,000.[66] This represents a significant investment in time and consistent management that is not possible for a constantly rotating military organization.

Micro finance is controversial because of a traditional focus on poverty reduction rather than entrepreneurship incubation. Although the latter end appears to be more important for EE, both ends are important. USAID states that post-conflict micro finance:

> …involves much more than giving loans to poor people to get them back on their feet economically after a conflict ends. Rather, it embodies the creation of a permanent institution that will provide on-going financial services to an ever-wider clientele, and that will remain in operation past the crisis period to become part of the long-term economic development strategy of the country.[67]

This captures the desired end state for the military practitioner and reinforces that the key task involves setting the conditions for self-sustaining, long-term institutions for use by follow-on actors.

In order for micro finance to work at the macroeconomic level there must be a sufficient market to create an imperative to start a business. Borrowers must be willing to risk taking a loan because they have the reasonable belief that they can make a profit. The question of the necessity of stability is a contentious one. USAID posits that it is a critical factor[68], but recent experience shows that MFIs can function in relatively low-stability environments as long as there is a viable market.[69] Entrepreneurs utilizing micro loans are being successful even in unstable circumstances. In Iraq, even during turbulent and violent times, micro loan repayment stood at nearly 96 percent[70] due to the fact that micro firms were able to generate profits.

The transition from soft loans to micro finance is important because it professionalizes the loan process and makes it self-sustaining. Experts in MFI creation should be present when soft loans are being implemented in order to ensure that additional flexible capital is available as soon as the populace is ready. The skill sets involved in setting up an MFI are beyond the capacity of even staffs at the corps and higher level. There are two options for USM: embed interagency partners in sufficient numbers within a higher level headquarters and dispatch them to subordinate units when they are needed, or conduct a hand-off to an appropriately qualified organization. Either option will allow the transition of a military-led program to civilian control that can take advantage of the groundwork laid during the immediate post-emergency period.

Conclusion

…we see a world of increasing instability and conflict…Failed states or those that cannot adequately govern their territory can become safe havens for terrorist, insurgent and criminal groups that threaten the U.S. and our allies. 35th Commandant of the Marine Corps Commandant's Planning Guidance[71]

The battlefields of tomorrow look more like Afghanistan, Yemen, Iraq, and Somalia than Germany or Japan. With this in mind it is important to recognize that the missions and capabilities outlined in DODI 3000.5 will be more prevalent and necessary. The USM will remain at the forefront of economic rehabilitation activity in low-security areas because it is the only organization with personnel, resources, and expeditionary capability to accomplish the mission. As Dr. Schramm posits, economic development must be fully integrated into military operations, and the support of entrepreneurism is an excellent line of operation to achieving this end. It must, however, be recognized that the enormous capabilities and resources of the DOD do not mean that it can accomplish this mission alone. The capabilities of the USM do not extend in the depth and breadth necessary to undertake advanced entrepreneurial development. Rapidly declining fiscal resources prevent building a critical capability mass in this area. In order to achieve the mission outlined in DODI 3000.5, a collaborative approach with NGOs and USG agencies is necessary. These organizations however, are limited by resources and their inability to function in low-security environments. Conversely, the USM cannot become a development agency. To bridge this gap, the USM must develop the capability to set conditions for entrepreneurial development while simultaneously conducting combat operations. This capability is captured in the continuum in Appendix B:Figure 2, which accepts the current resource, operational, and training realities and provides a reasonable way forward that requires a minimal, and thus, acceptable, investment in time, money, and human resources.

Endnotes

[1] The DODI orders the United States Military (USM) to collaborate with other agencies to: "Continue to support the development, implementation, and operations of civil-military teams and related efforts aimed at unity of effort in rebuilding basic infrastructure; developing local governance structures; fostering security, economic stability, and development; and building indigenous capacity for such tasks" See Department Of Defense, *Instruction 3000.5*, (2009), 3.

[2]Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," *Foreign Affairs* 89, no. 3 (May-June, 2010): 96. .

[3]Mark Martins S., "The Commander's Emergency Response Program," *Joint Forces Quarterly*, no. 37 (2nd Quarter, 2005): 47.

[4]Ibid, 48.

[5]Ibid, 50.

[6]Comptroller of the Department of Defense, *VOLUME 12, CHAPTER 27: "COMMANDERS' EMERGENCY RESPONSE PROGRAM (CERP)"* (Washington; D.C.: Department of Defense, 2012), A-2.

[7]United States Forces Afghanistan, *USFOR-A Pub 1-06: Money as A Weapons System Afghanistan - Commander's Emergency Response Program SOP, (*United States Forces Afghanistan, 2009), 45.

[8] Ibid, 45.

[9] Ibid, 46.

[10] Ibid, 49.

[11]Interview with Marine Corps officer in charge of administering a CERP program for an infantry unit in Nawa, Afghanistan (identity withheld at the request of the interviewee), September 6, 2012.

[12]Ibid.

[13]Howard Stevenson, *"Why Entrepreneurship has Won!"* (address, United States Association for Small Business and Entrepreneurship, San Francisco, CA, 2000), 1.

[14]United States Small Business Administration, *What is an Entrepreneur?*.

[15]John Haltiwanger, Ron Jarmin and Javier Miranda, *Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States* (Kansas City, MO: Ewing Marion Kauffman Foundation,2009), 1.

[16]John Haltiwanger, Ron Jarmin and Javier Miranda, *Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States* (Kansas City, MO: Ewing Marion Kauffman Foundation,2009), 1.

[17]Ibid, 1.

[18]Rebecca Patterson and Dane Stangler, *Building Expeditionary Economics: Understanding the Field and Setting Forth a Research Agenda* (Kansas City, MO: Kauffman Foundation for Entrepreneurship, 2010), 8.

[19]Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," *Foreign Affairs* 89, no. 3 (May-June, 2010): 90.

[20]Many cases exists within the literature. A recent case in Nawa, Afghanistan, where aid dollars and projects flowed freely, led to the people seeing their governor as a U.S. “mouthpiece” and the central government abdicating responsibility for the region due to the amount of foreign assistance after being repeatedly snubbed by the local government. See Rajiv Chandrasekaran, *Little America: The War Within the War for Afghanistan* (New York, NY: Alfred A. Knopf, 2012), 197.

[21]Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," *Foreign Affairs* 89, no. 3 (May-June, 2010): 91.

[22]Ibid, 92.

[23]Kauffman Foundation for Entrepreneurship, *Entrepreneurship and the Economy* (Kansas City, MO: Kauffman Foundation for Entrepreneurship, 2011).

[24]International Finance Corporation - The World Bank Group, *Ease of Doing Business Index 2012*.

[25]Frank R. Gunter, *Entrepreneurship in Post-Conflict Iraq* (Bethlehem, PA: Lehigh University Department of Economics, 2011), 8.

[26]International Finance Corporation - The World Bank Group, *Ease of Doing Business Index 2012*

[27] David De Ferranti and Anthony J. Ody, *Beyond Microfinance: Getting Capital to Small and Medium Enterprises to Fuel Faster Development* (Washington: The Brookings Institution, 2007), 1.

[28]Ibid, 2.

[29] Smith defines the informal sector as consisting of "…any production, distribution, or consumption activities that occur outside of the constraints/opportunities accepted by the members of an inclusive social unit as proper, right, publicly accountable, and legitimately subject to assessment." See M. Estellie Smith, "The Informal Economy," in *Economic Anthropology* (Stanford, CA: Stanford University Press, 1989), 295.

[30] The World Bank, "Labor Markets - Workers in the Informal Economy" <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTLM/0,contentMDK:20224904~menuPK:584866~pagePK:148956~piPK:216618~theSitePK:390615,00.html> [accessed 28 March 2013]

[31]Dean Karlan and Martin Valdivia, *Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions. (*Yale University; Innovations for Poverty Action and Jameel Poverty Action Lab, 2006), 5.

[32]Rebecca Patterson, *Revisiting a School of Military Government: How Reanimating a World War II-Era Institution could Professionalize Military Nation Building* (Kansas City, MO: Kauffman Foundation for Entrepreneurship, 2011), 6.

[33]Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," *Foreign Affairs* 89, no. 3 (May-June, 2010): 89-91.

[34]Multi-National Force Iraq, *ATTACHMENT 4 (Economic Development Guide Coalition Forces (U) to ANNEX C (Economy (U)) TO MULTI-NATIONAL FORCE - IRAQ JOINT CAMPAIGN PLAN (S)*, 2006), 1 and International Finance Corporation - The World Bank Group, *Ease of Doing Business Index 2012*.

[35]Rebecca Patterson and Dane Stangler, *Building Expeditionary Economics: Understanding the Field and Setting Forth a Research Agenda* (Kansas City, MO: Kauffman Foundation for Entrepreneurship, 2010), 13.

[36]Rebecca Patterson and Jonathan Robinson, "The Commander as Investor: Changing CERP Practices," *PRISM* 2, no. 2 (March, 2011): 119-120.

[37]IZDIHAR - USAID Iraq Private Sector Growth and Employment Generation, *Iraq Microfinance Industry Performance & Benchmarking to MENA MFIs and all MFIs* (Iraq Second Microfinance Workshop: 2007), 2-3.

[38]Frank R. Gunter, *Micro Finance during Conflict: Iraq, 2003-2007* (Bethlehem, PA: Lehigh University Department of Economics, 2008), 8.

[39]Ibid, 20.

[40]Robert W. Fairlie, *Kauffman Index of Entrepreneurial Activity 1996-2011* (Kansas City, MO: Ewing Marion Kauffman Foundation, 2012), 4.

[41]The cash-for-work and AVIPA agricultural voucher program in Nawa, Afgahnistan circa 2010 illustrates the lack of analysis in calculating program funding in the professional development community. Chandresekaran estimates that this program, run by a private company under contract to USAID, was spending $30 million in Nawa itself, or $400 for every human being in the city. This program caused major economic and social distortions and was criticized by USAID field officers on-site. There does not appear to be a scientific basis for the allocated amount. See Rajiv Chandrasekaran, *Little America: The War Within the War for Afghanistan* (New York, NY: Alfred A. Knopf, 2012), 190-194.

[42]In an example outside of Iraq and Afghanistan the Colombian government's infrastructure projects in Puerto Toledo, while recognized by the populace, led local leaders to state that "Our biggest concern is the income of our families." See Adam Isacson and Abigail Poe. *AFTER PLAN COLOMBIA: Evaluating "Integrated Action," the next phase of U.S. assistance.* (International Policy Report, Washington, DC: Center for International Policy, December 2009), 16.

[43]Interview with Marine Corps officer in charge of administering a CERP program for an infantry unit in Nawa, Afghanistan (identity withheld at the request of the interviewee), September 6, 2012.

[44]Frank R. Gunter (Associate Professor of Economics, Lehigh University; Senior Civilian Economics Advisor for Multi-National Corps – Iraq July 2008 – July 2009; military Chief of Economics Section for Multi-National Force – Iraq November 2005 – May 2006), in discussion with the author, September 26, 2012.

[45]Nancy Blacker and Charles Kim, "Measuring Economic Development in a COIN Environment," *Military Review* (2010): 12.

[46]United States Agency for International Development, *Poverty Assessment Tool*, 2012.

[47] Frank R. Gunter. *Entrepreneurship, Corruption, and Economic Development in Post-conflict/Post-disaster States.* Presented at the Senior Conference XLVIII, United States Military Academy and Kauffman Conference on Expeditionary Economics: Towards a Doctrine for Enabling Stabilization and Growth, Kauffman Foundation for Entrepreneurship, (West Point, NY: Kauffman Foundation for Entrepreneurship, 2011), 13.

[48]One such definition was developed by UNESCO, which defines "post-conflict" by looking at a floating nine-year timespan. A conflict has moved to "post" status if there are more than 1,000 battle related deaths (BRD) within a nine-year period, but not more than 200 BRD in last three years of that nine year period. See Håvard Strand and Marianne Dahl, *Defining Conlict-Affected Countries* (New York, NY: UNESCO, 2010), 10-11.

[49]A rent-seeker is an economic actor who seeks to profit by controlling resources, usually in the form of a monopoly, vice engaging in trade. An example of a rent-seeker would be a person who provided kick-backs to an official to ensure that a certain piece of property was leased by the government. This damages entrepreneurship in several ways, among them by dis-incentivizing the entrepreneur since rent-seeking does not require on-going work and by monopolizing fund

and resources that could be used in the greater economy. See Frank R. Gunter , *The Political-Economy of Iraq: Restoring Balance in a Post-Conflict Society*. (Northhampton, MA: Edward Elgar Publishing, 2013), 21-22.

[50]Frank R. Gunter (Associate Professor of Economics, Lehigh University; Senior Civilian Economics Advisor for Multi-National Corps – Iraq July 2008 – July 2009; military Chief of Economics Section for Multi-National Force – Iraq November 2005 – May 2006), in discussion with the author, September 26, 2012.

[51]In the Garmser district of Afghanistan a private contractor hired by USAID was directed to spend 300 million dollars in one year. Due to security constraints, the majority of this money was spent in very few areas, resulting in major distortions. See Rajiv Chandrasekaran, *Little America: The War Within the War for Afghanistan* (New York, NY: Alfred A. Knopf, 2012), 194.

[52]This project occurred in the early 1990s in Southern Sudan. See United States Agency for International Development, *A Guide to Economic Growth in Post-Conflict Countries* (Washington, D.C.: USAID, 2009), 70.

[53]Hugh Allen, *Savings and Internal Lending (SILC) Field Agent Guide, (*Catholic Relief Services, 2006), 11.

[54]ROSCAs are known as merry-go-rounds (Kenya), hagbads (Somalia), tontines (former French colonies), Osusus (West Africa), gye (Korea), arisans (Indonesia), likelembas (Congo), xitique (Mozambique), djanggis (Cameroon), and iqqubs (Ethiopia). See Hugh Allen, *Savings and Internal Lending (SILC) Field Agent Guide, (*Catholic Relief Services, 2006), 6.

[55]Savings Group Infomation Exchange. Savings Groups. 2011. http://savingsgroups.com/home/about (accessed November 27, 2012).

[56]Ton de Klerk, *Financing of Income Generation in the Wake of Conflict, (*networklearning.org, 2002), 9.

[57]Fadomo Alin. Somaliland Case Study, (*networklearning.org*, 2004).

[58]One fund, Doses of Hope, begun in the Netherlands by three Somali refugees, started in 1999 with $15,000 loaned to 100 recipients. By 2004 the group had 4,000 loan recipients with an annual turnover of $272,000, and externally audited annual repayment rates that have ranged from 87 percent at the lowest and 92.4 percent at the highest. See Fadomo Alin. Somaliland Case Study, (*networklearning.org*, 2004).

[59]NGOs typically allow two weeks to one month before repayment begins, although longer time periods may be necessary. See Tillman Bruett et al., *Conflict and Post-Conflict Environments: Ten Short Lessons to make Microfinance Work* (Washington, D.C.: The SEEP Network, 2004), 3.

[60]Ton de Klerk, *Financing of Income Generation in the Wake of Conflict, (*networklearning.org, 2002), 16.

[61]CHF International. *Iraq: The CHF International Approach.* (Silver Spring, MD: CHF International, 2008), 14.

[62]Ibid.

[63]Timothy Nourse, "Refuge to Return: Operational Lessons for Serving Mobile Populations in Conflict-Affected Environments" (USAID microPaper, 2004), 3.

[64]Ibid, 4.

[65] USAID, "The Iraq Microfinance Strategy" (Wahington, D.C.: USAID, 2007), 1-1.

[66]Ton de Klerk, *Financing of Income Generation in the Wake of Conflict, (*networklearning.org, 2002), 12.

[67]United States Agency for International Development, *Searching for Differences: Microfinance Following Conflict Vs. Other Environments* (Washington, D.C.: USAID, 2001), 1.

[68]Ibid, 3-4.

[69]Tillman Bruett et al., *Conflict and Post-Conflict Environments: Ten Short Lessons to make Microfinance Work* (Washington, D.C.: The SEEP Network, 2004), 1-2.

[70]Frank R. Gunter, *Micro Finance during Conflict: Iraq, 2003-2007* (Bethlehem, PA: Lehigh University Department of Economics, 2008), 9.

[71]Commandant of the Marine Corps. "35th Commandant of the Marine Corps Commandant's Planning Guidance." (Washington, D.C., 2010), 3.

Appendix A: Additional Materials

Reconstruction versus Construction

The highly successful postwar reconstruction and rehabilitation of Japan provides a good basis for comparative analysis. The three main factors underpinning the successful political, social, and economic reconstruction of Japan were total military defeat which led to unconditional surrender; the redistribution of political and economic power across the society which counterbalanced traditional elites; and the use of reformed existing indigenous political structures to administer the host nation.

Overwhelming destructive military force aimed at the whole of society destroyed the Japanese will to fight. This level of force would not be used by the United States in a non-existential conflict and would be difficult or impossible to justify to the much stronger international community of today outside of the existential war context. Additionally, unconditional surrender ensured General MacArthur had *carte blanche* in terms of reconstruction, freeing him from the need to create coalition consensus or compromise. Joint Chiefs of Staff (JCS) Directive 1380/15 instructed General Douglas MacArthur that "…your authority over Japan, as Supreme Commander for the Allied Powers, is supreme…"[1] This autocratic power structure would not be acceptable in today's advanced coalition-based warfare.

The Japanese economic "miracle" was based on the reconstruction of an advanced industrial economy with an effective centralized government, a situation that is not extant in the failed and less-developed states the USM is and will be fighting in. Land reform in Japan reconfigured rural society socially, politically, and economically, while eventually increasing macro-economic efficiency. Trade union reform and encouragement further balanced the power of social and economic elites, but allowed the vertically and horizontally integrated *zaibatsu* conglomerates to continue producing.[2] The existence of advanced physical and structural frameworks in both the agricultural and industrial sectors allowed for reconstruction and reform of previously existing institutions, a much easier task than the constructing these from scratch.

The reforming and use of existing, highly effective, indigenous political structures to administer the host nation was another key to success. General MacArthur inherited a working government. Recognition that existing institutions were effective led to governance through the existing organs of government.[3] The Japanese government never ceased to function and thus never had to conduct a handover from a military institution. This situation is lacking in failed and less-developed states where the HN must build basic institutions.

In comparison to the limited, non-existential wars of today, the United States faced an existential threat from peer competitors in World War II, mobilized the entire society for the conflict, and applied a concept of unlimited force against both military and civilian targets. This resulted in a depth and breadth of enemy defeat that cannot be achieved without complete mobilization, unlimited war aims, and the societal/economic infrastructure available for destruction in an industrialized peer competitor country. Additionally, the political climate of the day, both domestically and internationally, is no longer extant in either the United States or her allies. The acceptability, efficacy, and economic effects of unilateral military action are questionable in current thinking. The skill sets extant in today's resource-limited professional military are considerably narrower than they were in a conscript military that included all segments of society. The Japanese reconstruction benefited from the multitude of financial, political, and social experts in uniform.

Funding Formula Discussion

Applied to Iraq this would have yielded the following: **(.32% * 25,000,000) * 12) * $2,700 = USD$2,592,000,000.00** to fund the program for one year. To calculate an allocation for a particular area of operations (AO) the following formula is used: **(F/P) *AOP**, where *F* = USD required to fund the program for one year, *P* = the population of the HN, and *AOP* = the population of the AO in question. Applied to the case above for an AO with 10,000 people: **(2,592,000,000/25,000,000) * 10,000 = USD$1,036,800.00** (approximately USD$100 per person per year).

Early Stabilization Impact Assessment

The assessment at this stage must focus on the effect on grant recipients. The data points below are easily captured through observation without interrupting a tactical movement or LN routines. Over time, these data points will provide a basic understanding of grant impacts:

- Number of people in the streets/area not working.
- Number of people in the streets/area working.
- Number of unsupervised children, along with their general appearance.
- Are market areas open? If so, approximate numbers of stalls/stores/stands open.
- Approximate number of people in the market areas.

These observations, combined with basic data on the number of grants issued, will paint a simple, yet telling picture of grant impact. The number of people engaged in recognizable productive activity is an excellent indicator of the level of perceived security. The number and condition of children can be an indicator of status of their families and market area activity can be indicative of the state of affairs within the community.

Early Rehabilitation and Development Impact Assessment

The impact assessment for this phase of the continuum must focus on the number of groups created, the amount saved, and group longevity. It is important to the overall impact assessment that those being assessed not be told of the specific assessment criteria. The number of groups created is a simple statistic. The amount saved per group is easily ascertained during a patrol that makes contact with group leaders. The longevity of groups is a slightly more complex metric composed of two separate elements: average meeting attendance rates and member retention per cycle. These two metrics measure the level of member involvement.

Attendance is tracked written or orally and reported to the patrol leader. Attendance rates in the sample captured in Appendix B: Table 3 range from a low of 60 percent to a high of 100 percent with an average attendance overall rate of 90.5 percent. Chronically low attendance will compromise the social and financial guarantees of the group structure because decisions cannot be made in a timely manner.   An average attendance rate below 90 percent over 25 percent of the life of the group should be cause for concern and discussion, and, if necessary, warning to the group. Savings groups can function effectively at lower attendance levels, but it is preferable that the groups be held to a high standard due to the flexibility of meeting schedules. There is no correlation between the attendance rates and member retention during a cycle in the samples. Retention rates range from a low of 92 percent to a high of 100 percent, with an average of 98.7 percent (see Appendix B: Table 3).   The measurement of the number of participants remaining in the group at the end of the programmed cycle illustrates the value of the program to the members.

Soft Loans Impact Assessment

The impact assessment for the soft loans program should focus on the number of loans made and their repayment rate.   The number of loans made measures the reach and scope of the program. The aim is to provide enough loans across a broad segment of the population to begin having an overall economic impact in the AO on the number of startup micro firms. A broad net must be cast given the high potential for failure. An arrears and loss rate of less than five percent can be expected if the effort is properly managed, and given experiences across a broad range of countries and situations with soft loans and nascent micro finance programs.[4] Tracking the repayment rate provides an indication of the success of the clients. Borrowers who do not start income-generating businesses will not be able to repay loans.

Appendix A Notes

[1]Part I, section 2 discusses General MacArthur's powers. Although the document states that this power is to be used to "carry out the surrender," this power was extended to each of the portions of Japanese society: economic, social, and political. See Joint Chiefs of Staff. "Basic Initial Post Surrender Directive to Supreme Commander for the Allied Powers for the Occupation and Control of Japan (JCS1380/15)." National Diet Library. November 3, 1945. http://www.ndl.go.jp/constitution/e/shiryo/01/036/036tx.html (accessed October 14, 2012).

[2]In reality, the *zaibatsu* lived on, although with some modification in the form of the *keiretsu*, which were mostly limited to either horizontal or vertical integration and had an ownership structure where the component companies owned the shares in the overarching holding company. See Kazuo Shibakagi. "The Early History of the Zaibatsu." *The Developing Economies* 4, no. 4 (December 1966): 535.

[3]Rachel Swanger. "Japan." In America's Role in Nation Building: From Germany to Iraq, by James Dobbins, et al., 25-53. Santa Monica,CA: RAND Publications, 2005, 39.

[4] Timothy Nourse, "Refuge to Return: Operational Lessons for Serving Mobile Populations in Conflict-Affected Environments" (USAID microPaper, 2004), 5. and IZDIHAR - USAID Iraq Private Sector Growth and Employment Generation, *Iraq Microfinance Industry Performance & Benchmarking to MENA MFIs and all MFIs* (Iraq Second Microfinance Workshop: 2007), 2-3.

Appendix B: Figures and Tables

Table 1: Comparison of Top 10 and Bottom 10 on the World Bank Ease of Doing Business Index[1]

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	4	3	5	14	8	2	4	1	12	2
Hong Kong SAR, China	2	5	1	4	57	4	3	3	2	5	16
New Zealand	3	1	2	31	3	4	1	36	27	10	18
United States	4	13	17	17	16	4	5	72	20	7	15
Denmark	5	31	10	13	11	24	29	14	7	32	9
Norway	6	41	60	12	8	48	24	27	9	4	4
United Kingdom	7	19	22	60	68	1	10	24	13	21	6
Korea, Rep.	8	24	26	11	71	8	79	38	4	2	13
Iceland	9	37	34	1	11	40	46	35	81	3	11
Ireland	10	13	27	90	81	8	5	5	21	62	10
Haiti	174	180	139	75	131	159	166	118	145	96	162
Benin	175	154	117	140	130	126	155	170	129	176	127
Guinea-Bissau	176	149	107	180	179	126	133	137	117	142	183
Venezuela, RB	177	147	109	155	91	182	179	183	166	77	161
Congo, Dem. Rep.	178	148	77	145	121	174	155	165	167	170	166
Guinea	179	181	174	119	152	150	174	176	130	127	130
Eritrea	180	182	183	96	178	177	111	121	165	47	183
Congo, Rep.	181	175	103	152	156	98	155	182	181	159	134
Central African Republic	182	160	136	162	132	98	133	177	182	173	183
Chad	183	183	122	117	143	98	155	180	178	163	183

Figure 1: The Military Expeditionary Economics Continuum

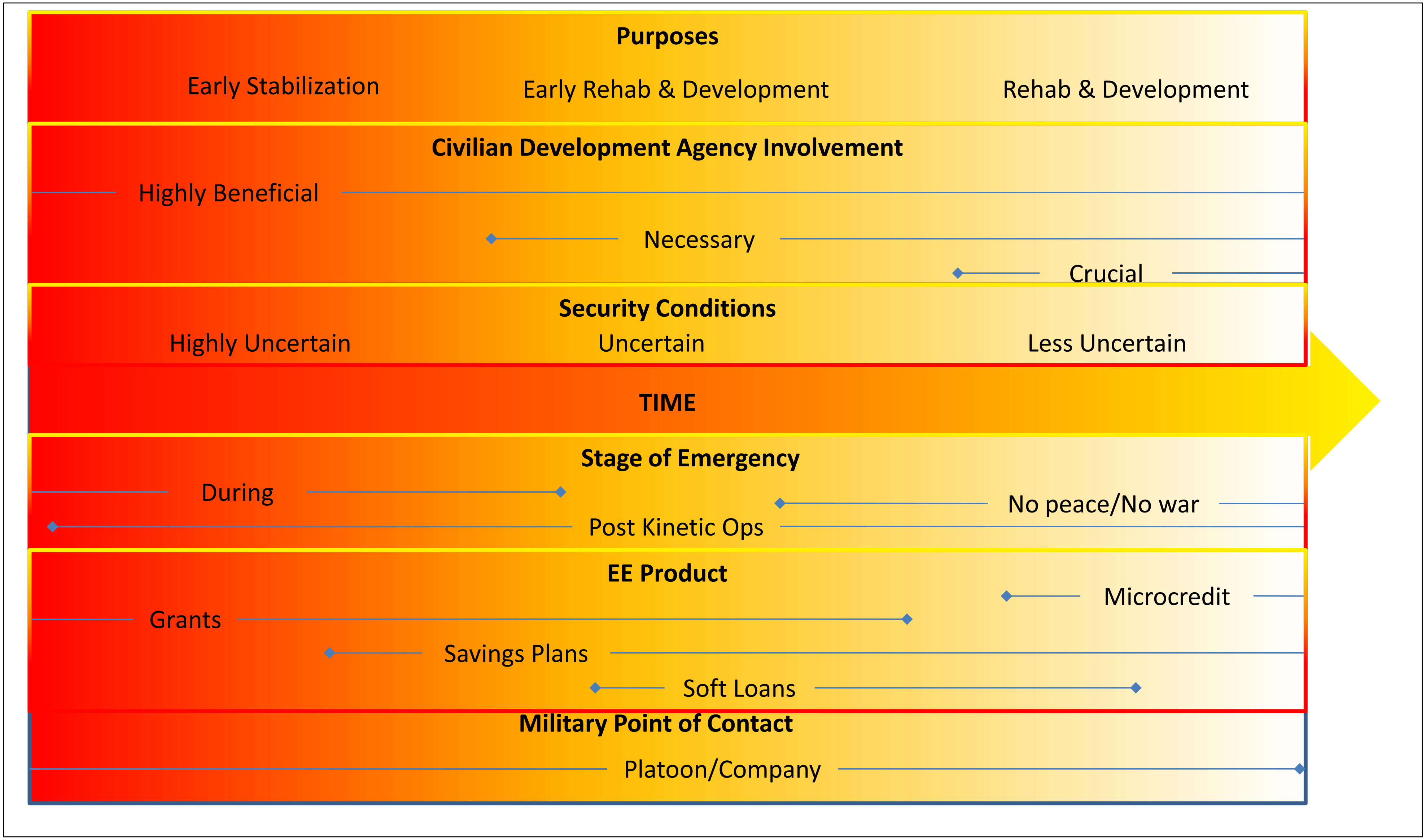

Table 2: Savings Group Ratio Trends (all currency)[2]

Name	2010	2011	2012	Formula	Definitions
Group and membership profile					
Total Number of Members	7,256	7,621	7,333	Registered members of supervised groups + Registered members of graduated groups, at time of graduation	
Total Number of Groups	331	326	315	Number of supervised groups + Number of graduated groups	
Long-term group survival rate (%)	100	98.49	95.17	(Total number of active groups in the research sample / Original number of groups in the research sample) X 100	
Average Number of Members per Group	21.92	23.38	23.28	Total number of members / Total number of groups	
Member retention rate per cycle (%)	98.98	99.13	98.83		
Attendance rate (%)	86.34	83.19	84.32		
Savings					
Average Savings per Member	$ 19.04	$ 25.60	$ 33.63	Total savings / Total number of members	
Savings per Member, as % of GNI/capita	4.32	5.52	7.23	(Average savings per member / Gross national income per capita) X 100	GNI per capita - Gross national income (GNI) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI per capita is gross national income divided by mid-year population. GNI per capita in US dollars is converted using the World Bank Atlas method. (UNICEF. Definitions. 2010. http://www.unicef.org/infobycountry/stats_popup1.html (accessed November 27, 2012).)
Savings as % of Loans Outstanding	98.56	99.62	93.89	(Total savings / Total value of loans outstanding) X 100	
Loans					
Average Outstanding Loan Size, as % of GNI/capita	6.82	7.61	9.78	(Average outstanding loan size / Gross national income per capita) X 100	
Percentage of Members with Loans Outstanding	53.21	59.69	65.02	(Number of current borrowers / Number of loans oustanding) X 100	
Average Outstanding Loan Size	$ 36.31	$ 43.05	$ 55.10	(Total value of loans oustanding / Number of loans outstanding) X 100	
Assets, liabilities and returns					
Total assets	$182,530	$251,933	$328,772	Total value of loans outstanding + Total cash in loan fund + Total cash in other funds + Total value of property	
Total liabilities	$ 1,869	$ 3	$ 408	Total value of outstanding debts to external financial institutions or individuals	
Average annualized return on assets (%)	47.85	49.15	56.70	(Total profits / Total assets) X (52 / Average age of groups in months) X 100	Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. (Investopedia. Return on Assets (ROA) Definition. 2012. http://www.investopedia.com/terms/r/returnonassets.asp (accessed November 27, 2012).)
Average annualized return on equity (%)	48.31	45.38	53.17	(Total profits / Total equity) X (52 / Average age of groups in months) X 101	ROA gives an idea as to how efficient management is at using its assets to generate earnings. Investopedia. Return on Equity (ROE) Definition. 2012. http://www.investopedia.com/terms/r/returnonequity.asp (accessed November 27, 2012).

Table 3: Savings Group Data for One Recent Quarter (continues on following pages)[3]

Country	# Members	# Groups	Total Debt	Total Savings	$ Loans Outstanding	Avg Grp Age (mos)	Avg Mbrs/Group	Attendance%	Retention per cycle	Avg Savings/Mbr	Avg Loan $	% Mbrs w/loan	Cost per Member
Benin	410	19	$ -	$ 3,578	$ 3,295	2	22	91	100.0	$ 8.73	$ 27.23	30	$ 33.27
Benin	24881	1019	$ 2,726	$ 659,501	$ 691,638	25	24	94	99.7	$ 26.51	$ 39.33	71	$ 12.05
Benin	17107	808	$ -	$ 426,275	$ 168,378	16	21	86	97.3	$ 24.92	$ 21.09	47	$ 24.68
Burkina Faso	7780	310	$ -	$ 134,079	$ 1,122	13	25	92	94.9	$ 17.23	$ 10.02	1	$ 15.51
Burkina Faso	10018	512	$ -	$ 120,201	$ 46,360	42	20	69	93.4	$ 12.00	$ 11.34	41	$ 13.00
Burkina Faso	8716	376	$ -	$ 106,579	$ 50,773	20	23	94	98.3	$ 12.23	$ 11.17	52	$ 15.03
Burkina Faso	8155	494	$ -	$ 57,773	$ 5,086	35	17	92	94.5	$ 7.08	$ 7.93	8	$ 30.54
Cambodia	2271	160	$ -	$ 79,100	$ 61,274	14	14	90	98.0	$ 34.83	$ 60.91	44	$ 52.37
Cambodia	2892	212	$ -	$ 97,552	$ 76,520	19	14	86	98.6	$ 33.73	$ 55.98	47	$ 52.37
Cambodia	4195	286	$ -	$ 213,835	$ 158,729	14	15	89	97.8	$ 50.97	$ 62.20	61	$ 39.04
Cambodia	4799	290	$ -	$ 165,672	$ 127,056	14	17	87	97.9	$ 34.52	$ 70.94	37	$ 52.37
Cambodia	5047	347	$ -	$ 240,695	$ 221,242	28	15	89	98.0	$ 47.69	$ 83.02	53	$ 52.37
Cambodia	6885	416	$ -	$ 261,052	$ 211,844	14	17	93	98.4	$ 37.92	$ 58.80	52	$ 39.04
Cambodia	8895	546	$ -	$ 292,294	$ 280,355	22	16	83	98.6	$ 32.86	$ 61.39	51	$ 52.37
Cameroon	551	25	$ -	$ 9,780	$ 4,142	13	22	100	97.5	$ 17.75	$ 33.95	22	$ 33.68
Cameroon	4513	214	$ 2,220	$ 94,202	$ 54,489	12	21	91	99.5	$ 20.87	$ 36.99	33	$ 10.80
Cameroon	4553	199	$ -	$ 63,575	$ 42,348	17	23	85	98.9	$ 13.96	$ 24.52	38	$ 19.41
Ghana	1917	82	$ 1,472	$ 54,967	$ 47,786	8	23	86	97.1	$ 28.67	$ 41.19	61	$ 10.63
Ghana	1714	69	$ 835	$ 32,125	$ 18,757	12	25	85	98.4	$ 18.74	$ 32.51	34	$ 11.89
Ghana	981	47	$ 799	$ 18,721	$ 7,842	11	21	79	97.2	$ 19.08	$ 42.16	19	$ 20.77
Ghana	9882	372	$ 368	$ 649,157	$ 519,167	15	27	88	99.1	$ 65.69	$ 75.33	70	$ 4.74
Ghana	11302	414	$ 156	$ 722,874	$ 587,935	12	27	89	99.9	$ 63.96	$ 85.20	61	$ 4.48
Ghana	5059	230	$ 2,535	$ 348,494	$ 255,260	11	22	85	99.3	$ 68.89	$ 114.16	44	$ 17.79
Ghana	11444	418	$ 5,444	$ 475,693	$ 155,788	12	27	93	98.6	$ 41.57	$ 47.28	29	$ 8.53
Ghana	17121	621	$ 3,036	$ 821,699	$ 458,773	9	28	94	99.9	$ 47.99	$ 58.85	46	$ 7.81
Ghana	9340	419	$ 10,972	$ 299,593	$ 93,272	11	22	98	99.8	$ 32.08	$ 35.51	28	$ 14.49
Ghana	13001	453	$ 62	$ 556,672	$ 563,356	11	29	91	99.8	$ 42.82	$ 83.83	52	$ 11.29
Guinea	361	17	$ -	$ 19,864	$ 21,611	19	21	100	100.0	$ 55.02	$ 63.56	94	$ 14.95
Guinea	599	25	$ -	$ 19,575	$ 16,963	19	24	100	100.0	$ 32.68	$ 38.12	74	$ 11.72
Guinea	625	28	$ -	$ 6,038	$ 5,202	21	22	94	99.0	$ 9.66	$ 12.24	68	$ 18.44
Guinea-Bissau	5067	188	$ -	$ 89,667	$ 62,718	10	27	89	98.6	$ 17.70	$ 36.30	34	$ 33.54
India	6946	377	$ -	$ 138,310	$ 12,683	9	18	95	95.8	$ 19.91	$ 24.30	8	$ 15.64
India	7302	378	$ -	$ 163,553	$ 25,062	9	19	98	91.7	$ 22.40	$ 29.69	12	$ 15.25
India	7530	377	$ -	$ 127,698	$ 10,253	9	20	97	95.5	$ 16.96	$ 0.34	397	$ 14.86
India	10437	529	$ -	$ 220,738	$ 15,526	9	20	96	96.1	$ 21.15	$ 19.93	7	$ 11.50
Kenya	60	2	$ -	$ 476	$ 534	4	30	83	100.0	$ 7.93	$ 9.89	90	$ 8.57
Kenya	175	9	$ -	$ 356	$ 265	2	19	95	100.0	$ 2.03	$ 6.31	24	$ 8.57
Kenya	207	10	$ -	$ 1,332	$ 1,631	3	21	96	100.0	$ 6.43	$ 13.71	57	$ 8.57
Kenya	245	12	$ -	$ 2,157	$ 2,655	3	20	87	99.2	$ 8.80	$ 16.29	67	$ 8.57

Table 3: Savings Group Data for One Recent Quarter (continues on following pages)

Country	# Members	# Groups	Total Debt	Total Savings	$ Loans Outstanding	Avg Grp Age (mos)	Avg Mbrs/Group	Attendance%	Retention per cycle	Avg Savings/Mbr	Avg Loan $	% Mbrs w/loans	Cost per Member
Kenya	1158	44	$ -	$ 28,316	$ 38,683	5	26	86	100.0	$ 24.45	$ 47.12	71	$ 8.57
Kenya	1244	62	$ -	$ 27,296	$ 36,355	5	20	91	100.0	$ 21.94	$ 37.52	78	$ 8.57
Kenya	1262	49	$ -	$ 27,596	$ 35,745	5	26	84	100.0	$ 21.87	$ 38.27	74	$ 8.57
Kenya	1922	80	$ 18	$ 31,824	$ 44,557	4	24	98	99.5	$ 16.56	$ 35.85	65	$ 8.57
Kenya	2109	88	$ -	$ 34,117	$ 43,216	3	24	94	100.0	$ 16.18	$ 31.78	64	$ 8.57
Kenya	2479	112	$ -	$ 11,153	$ 13,295	4	22	95	100.0	$ 4.50	$ 11.86	45	$ 8.57
Kenya	3105	121	$ -	$ 26,896	$ 33,501	3	26	95	100.0	$ 8.66	$ 18.11	60	$ 8.57
Kenya	3281	151	$ -	$ 13,430	$ 15,355	3	22	94	99.8	$ 4.09	$ 11.71	40	$ 8.57
Kenya	3763	146	$ -	$ 14,148	$ 16,296	2	26	93	98.8	$ 3.76	$ 15.16	29	$ 8.57
Kenya	4702	179	$ -	$ 115,767	$ 144,759	5	26	85	100.0	$ 24.62	$ 40.89	75	$ 8.57
Kenya	1068	60	$ -	$ 8,810	$ 8,255	5	18	99	94.9	$ 8.25	$ 24.86	31	$ 46.84
Kenya	1018	48	$ 24	$ 4,720	$ 5,458	3	21	98	98.4	$ 4.64	$ 26.89	20	$ 49.14
Kenya	6881	254	$ 36	$ 51,084	$ 58,704	2	27	98	100.0	$ 7.42	$ 23.07	37	$ 8.64
Kenya	1307	65	$ -	$ 13,295	$ 15,268	6	20	99	98.7	$ 10.17	$ 24.79	47	$ 46.84
Kenya	1643	70	$ -	$ 13,346	$ 11,887	5	23	96	98.8	$ 8.12	$ 29.94	24	$ 46.84
Kenya	12457	443	$ -	$ 264,473	$ 366,383	4	28	86	100.0	$ 21.23	$ 46.97	63	$ 8.57
Kenya	24891	1287	$ -	$ 408,904	$ 371,932	12	19	77	99.8	$ 16.43	$ 33.71	44	$ 26.09
Kenya	37005	1570	$ -	$ 1,159,529	$ 1,477,918	16	24	75	100.0	$ 31.33	$ 49.62	80	$ 22.75
Kenya	37934	2159	$ -	$ 1,014,560	$ 1,010,309	15	18	68	99.4	$ 26.75	$ 45.95	58	$ 24.95
Kenya	45738	2321	$ -	$ 1,507,280	$ 1,775,403	16	20	89	99.9	$ 32.95	$ 52.90	73	$ 21.09
Madagascar	9616	508	$ -	$ 153,749	$ 37,774	9	19	86	91.2	$ 15.99	$ 20.00	20	$ 22.48
Malawi	16654	891	$ -	$ 508,626	$ 137,865	10	19	99	96.4	$ 30.54	$ 22.52	37	$ 28.08
Malawi	19537	1134	$ 2,786	$ 455,484	$ 162,222	10	17	97	96.2	$ 23.31	$ 27.02	31	$ 27.29
Malawi	20123	1053	$ 623	$ 578,702	$ 235,272	8	19	96	97.9	$ 28.76	$ 29.47	40	$ 28.08
Malawi	23182	1227	$ -	$ 725,879	$ 197,319	7	19	97	96.9	$ 31.31	$ 29.77	29	$ 28.08
Malawi	24802	1314	$ 75	$ 471,148	$ 148,809	8	19	95	98.7	$ 19.00	$ 21.34	28	$ 27.24
Malawi	24845	1222	$ 3,464	$ 713,915	$ 189,868	7	20	97	97.2	$ 28.73	$ 27.73	28	$ 27.34
Mali	2479	122	$ -	$ 55,845	$ 61,807	30	20	83	99.4	$ 22.53	$ 43.53	57	$ 16.47
Mali	3120	143	$ -	$ 22,920	$ 22,117	12	22	61	98.3	$ 7.35	$ 11.00	64	$ 14.66
Mali	3837	155	$ -	$ 36,919	$ 42,847	7	25	90	100.0	$ 9.62	$ 15.17	74	$ 17.72
Mali	6790	331	$ -	$ 65,266	$ 75,642	35	21	92	98.1	$ 9.61	$ 13.35	83	$ 11.75
Mali	1291	52	$ -	$ 15,560	$ 13,569	10	25	87	99.7	$ 12.05	$ 17.90	59	$ 69.53
Mali	7529	351	$ -	$ 72,675	$ 86,530	33	21	84	95.9	$ 9.65	$ 16.69	69	$ 13.16
Mali	4845	218	$ -	$ 68,899	$ 68,810	10	22	87	93.7	$ 14.22	$ 18.17	78	$ 20.45
Mali	4868	213	$ -	$ 37,889	$ 48,345	21	23	78	96.2	$ 7.78	$ 15.30	65	$ 22.71
Mali	7200	303	$ -	$ 98,989	$ 119,246	23	24	97	100.0	$ 13.75	$ 21.75	76	$ 31.67
Mali	7434	330	$ -	$ 76,126	$ 87,042	27	23	94	99.6	$ 10.24	$ 18.86	62	$ 39.13
Mali	20818	888	$ -	$ 245,497	$ 266,220	32	23	82	99.6	$ 11.79	$ 21.59	59	$ 22.64
Mali	18768	803	$ -	$ 166,282	$ 202,132	26	23	92	99.8	$ 8.86	$ 14.82	73	$ 25.21

Table 3: Savings Group Data for One Recent Quarter (continues on following pages)

Country	# Members	# Groups	Total Debt	Total Savings	$ Loans Outstanding	Avg Grp Age (mos)	Avg Mbrs/Group	Attendance%	Retention per cycle	Avg Savings/Mbr	Avg Loan $	% Mbrs w/loans	Cost per Member
Mali	20622	898	$ -	$ 302,901	$ 360,017	33	23	86	99.4	$ 14.69	$ 24.16	72	$ 24.12
Mali	24443	970	$ -	$ 104,793	$ 59,957	23	25	79	99.9	$ 4.29	$ 12.11	20	$ 21.38
Mali	22782	935	$ -	$ 199,344	$ 217,890	26	24	94	100.0	$ 8.75	$ 16.62	58	$ 23.25
Mali	21634	959	$ -	$ 113,438	$ 108,194	21	23	93	99.6	$ 5.24	$ 13.54	37	$ 24.92
Mali	22371	909	$ 40	$ 259,439	$ 275,813	23	25	85	99.9	$ 11.60	$ 24.34	51	$ 24.22
Mali	21287	884	$ -	$ 153,363	$ 157,092	26	24	95	99.9	$ 7.20	$ 19.66	38	$ 25.46
Mali	23567	1126	$ -	$ 196,573	$ 229,668	33	21	94	99.6	$ 8.34	$ 15.39	63	$ 23.27
Mali	21167	943	$ -	$ 140,279	$ 150,799	21	22	88	99.6	$ 6.63	$ 16.71	43	$ 26.78
Mali	25544	1065	$ -	$ 281,243	$ 269,383	32	24	87	99.7	$ 11.01	$ 21.03	50	$ 22.57
Mali	28852	1146	$ -	$ 492,715	$ 553,936	22	25	92	99.9	$ 17.08	$ 25.50	75	$ 22.13
Mali	26810	1246	$ -	$ 149,405	$ 170,393	46	22	96	99.7	$ 5.57	$ 9.21	69	$ 24.63
Mali	30725	1423	$ -	$ 532,850	$ 601,901	35	22	93	100.0	$ 17.34	$ 24.27	81	$ 22.34
Mali	38905	1908	$ 49	$ 301,479	$ 319,053	49	20	93	99.1	$ 7.75	$ 12.15	68	$ 26.04
Mali	41336	2048	$ -	$ 651,357	$ 697,588	37	20	84	99.6	$ 15.76	$ 22.81	74	$ 27.31
Niger	8424	477	$ -	$ 73,298	$ 36,516	16	18	80	97.5	$ 8.70	$ 21.91	20	$ 3.68
Niger	1751	101	$ -	$ 6,301	$ 3,903	8	17	80	92.7	$ 3.60	$ 6.16	36	$ 31.84
Niger	1524	68	$ -	$ 7,983	$ 2,440	4	22	99	99.0	$ 5.24	$ 14.52	11	$ 37.38
Niger	8277	514	$ -	$ 33,840	$ 21,228	36	16	65	94.0	$ 4.09	$ 9.76	26	$ 10.09
Niger	6327	285	$ -	$ 48,828	$ 8,939	6	22	88	95.4	$ 7.72	$ 16.11	9	$ 14.48
Niger	9322	418	$ -	$ 79,456	$ 63,449	7	22	94	99.0	$ 8.52	$ 13.34	51	$ 12.93
Pakistan	6081	316	$ -	$ 21,287	$ 11,761	8	19	95	98.0	$ 3.50	$ 14.33	14	$ 25.49
Rwanda	3149	105	$ -	$ 46,511	$ 39,611	8	30	92	99.4	$ 14.77	$ 21.63	58	$ 21.19
Rwanda	13345	455	$ 1	$ 216,942	$ 49,281	10	29	98	98.9	$ 16.26	$ 14.23	26	$ 18.97
Rwanda	13804	473	$ 6,150	$ 197,172	$ 178,710	13	29	98	99.5	$ 14.28	$ 19.11	68	$ 20.64
Rwanda	13290	447	$ 1	$ 182,711	$ 177,515	13	30	98	99.7	$ 13.75	$ 18.88	71	$ 22.02
Rwanda	13021	436	$ 2,235	$ 188,078	$ 210,140	14	30	98	100.0	$ 14.44	$ 25.19	64	$ 22.62
Rwanda	16423	556	$ 1,702	$ 232,639	$ 211,099	12	30	99	99.6	$ 14.17	$ 19.57	66	$ 22.57
Rwanda	15794	531	$ 1,621	$ 325,123	$ 284,029	12	30	97	99.3	$ 20.59	$ 26.58	68	$ 25.98
Rwanda	16947	568	$ 16,779	$ 247,816	$ 247,858	12	30	97	99.5	$ 14.62	$ 19.59	75	$ 25.24
Rwanda	37094	1241	$ 7,151	$ 675,670	$ 639,315	13	30	98	98.5	$ 18.22	$ 23.35	74	$ 33.59
Senegal	1316	56	$ -	$ 15,983	$ 15,058	3	24	95	99.7	$ 12.15	$ 18.96	60	$ 37.13
Senegal	1276	53	$ -	$ 15,415	$ 16,084	4	24	94	99.8	$ 12.08	$ 18.83	67	$ 38.29
Senegal	1108	47	$ -	$ 19,120	$ 13,391	4	24	85	97.8	$ 17.26	$ 18.07	67	$ 44.09
Senegal	1926	88	$ 114	$ 2,943	$ 219	1	22	89	98.5	$ 1.53	$ 12.17	1	$ 36.21
Senegal	10333	528	$ -	$ 160,724	$ 100,264	9	20	83	98.7	$ 15.55	$ 22.88	42	$ 31.51
Sierra Leone	2875	111	$ -	$ 62,134	$ 60,470	13	26	98	100.0	$ 21.61	$ 28.71	73	$ 2.00
Sierra Leone	325	13	$ -	$ 2,773	$ 2,081	5	25	94	98.8	$ 8.53	$ 22.87	28	$ 37.08
Sierra Leone	407	16	$ -	$ 1,167	$ -	1	25	100	100.0	$ 2.87		0	$ 32.76
Sierra Leone	1125	45	$ -	$ 9,141	$ 8,447	4	25	100	100.0	$ 8.13	$ 11.03	68	$ 22.42

Table 3: Savings Group Data for One Recent Quarter

Country	# Members	# Groups	Total Debt	Total Savings	$ Loans Outstanding	Avg Grp Age (mos)	Avg Mbrs/Group	Attendance%	Retention per cycle	Avg Savings/Mbr	Avg Loan $	% Mbrs w/loans	Cost per Member
Sierra Leone	2286	120	$ -	$ 50,554	$ 9,092	8	19	93	95.3	$ 22.11	$ 25.98	15	$ 36.80
Sierra Leone	5265	201	$ -	$ 118,100	$ 88,846	12	26	90	100.0	$ 22.43	$ 23.37	72	$ 17.57
Sierra Leone	6982	356	$ -	$ 157,224	$ 23,284	9	20	91	99.5	$ 22.52	$ 29.14	11	$ 16.73
Tajikistan	11248	557	$ -	$ 343,926	$ 65,034	6	20	96	99.3	$ 30.58	$ 55.16	10	$ 21.34
Tajikistan	12844	605	$ -	$ 987,470	$ 126,839	10	21	97	97.4	$ 76.88	$ 100.11	10	$ 26.33
Tajikistan	19490	1060	$ -	$ 433,354	$ 55,017	11	18	99	99.5	$ 22.23	$ 62.73	4	$ 26.18
Tanzania	9471	395	$ -	$ 343,316	$ 383,201	14	24	87	98.0	$ 36.25	$ 73.07	55	$ 28.51
Tanzania	18167	776	$ -	$ 714,211	$ 754,979	13	23	75	99.2	$ 39.31	$ 73.31	57	$ 22.98
Tanzania	28466	1304	$ -	$ 684,748	$ 822,270	15	22	94	99.9	$ 24.05	$ 43.78	66	$ 20.18
Tanzania	25495	1013	$ -	$ 483,229	$ 489,497	10	25	85	100.0	$ 18.95	$ 31.26	61	$ 22.97
Tanzania	25972	1146	$ -	$ 948,905	$ 510,462	6	23	92	98.4	$ 36.54	$ 60.14	33	$ 26.04
Tanzania	28496	1533	$ -	$ 427,301	$ 489,158	11	19	95	99.9	$ 15.00	$ 25.50	67	$ 24.11
Tanzania	27720	1112	$ -	$ 767,832	$ 397,202	7	25	86	98.9	$ 27.70	$ 49.84	29	$ 26.04
Tanzania	30294	1227	$ -	$ 1,002,012	$ 270,601	7	25	96	99.8	$ 33.08	$ 37.64	24	$ 26.04
Tanzania	32251	1276	$ -	$ 1,046,932	$ 503,207	6	25	89	98.2	$ 32.46	$ 55.90	28	$ 26.04
Togo	11436	492	$ 2,679	$ 355,228	$ 160,250	10	23	96	99.4	$ 31.06	$ 32.60	43	$ 17.11
Togo	7828	322	$ 3,215	$ 249,052	$ 135,582	20	24	89	99.6	$ 31.82	$ 34.46	50	$ 25.84
Togo	17100	635	$ 29	$ 724,738	$ 339,833	19	27	90	99.0	$ 42.38	$ 41.89	47	$ 24.92
Uganda	5178	185	$ 120	$ 317,002	$ 115,225	9	28	82	98.0	$ 61.22	$ 73.25	30	$ 18.13
Uganda	10567	376	$ 1,601	$ 331,757	$ 80,170	8	28	92	98.9	$ 31.40	$ 29.11	26	$ 18.13
Uganda	13068	454	$ 256	$ 484,611	$ 222,741	10	29	97	99.8	$ 37.08	$ 37.35	46	$ 18.13
Uganda	13135	448	$ 536	$ 366,697	$ 62,431	10	29	98	99.9	$ 27.92	$ 28.78	17	$ 18.04
Uganda	13866	478	$ 77	$ 643,804	$ 177,349	10	29	86	98.9	$ 46.43	$ 46.55	27	$ 18.13
Uganda	12977	506	$ -	$ 199,387	$ 86,953	14	26	89	99.5	$ 15.36	$ 19.40	35	$ 21.67
Uganda	16295	585	$ -	$ 592,720	$ 137,628	9	28	91	98.4	$ 36.37	$ 41.83	20	$ 18.13
Uganda	16352	585	$ 8,596	$ 545,445	$ 125,300	10	28	92	98.7	$ 33.36	$ 34.75	22	$ 18.13
Uganda	17464	606	$ -	$ 392,305	$ 101,819	11	29	92	100.0	$ 22.46	$ 31.09	19	$ 18.13
Uganda	17338	628	$ -	$ 232,410	$ 218,732	12	28	90	99.9	$ 13.40	$ 29.52	43	$ 19.15
Uganda	19360	651	$ 1,096	$ 598,648	$ 245,547	9	30	82	99.8	$ 30.92	$ 35.94	35	$ 18.13
Uganda	21134	810	$ -	$ 848,165	$ 933,150	13	26	92	98.7	$ 40.13	$ 77.00	57	$ 17.01
Uganda	20383	688	$ 1,085	$ 721,651	$ 273,855	8	30	87	99.7	$ 35.40	$ 43.54	31	$ 18.13
Uganda	20880	712	$ 56	$ 689,253	$ 332,512	9	29	95	99.6	$ 33.01	$ 38.79	41	$ 18.13
Uganda	25824	881	$ 257	$ 870,900	$ 313,056	9	29	91	99.9	$ 33.72	$ 39.55	31	$ 18.13
Uganda	27144	943	$ -	$ 1,421,932	$ 422,186	11	29	87	99.5	$ 52.38	$ 53.54	29	$ 18.13
Uganda	31620	1369	$ -	$ 528,985	$ 448,918	12	23	87	99.3	$ 16.73	$ 32.50	44	$ 16.82
Uganda	36619	1344	$ 11	$ 601,649	$ 584,262	17	27	85	99.8	$ 16.43	$ 32.45	49	$ 16.42
Zambia	5372	380	$ -	$ 144,508	$ 207,970	8	14	98	99.6	$ 26.90	$ 68.50	57	$ 9.04

Appendix B Notes

[1]International Finance Corporation - The World Bank Group, *Ease of Doing Business Index 2012.*

[2]SAVIX. "Savings Group Ratio Analysis." Savings Groups Information Exchange. March 2009. http://savingsgroups.com/research/ratios (accessed November 2012, 2012). and
SAVIX. "Savings Groups Metrics." Savings Group Information Exchange. March 2009. http://savingsgroups.com/downloads/SAVIX_Metrics.xlsx (accessed November 27, 2012).

[3]Derived from data retrieved from SAVIX. Savings Groups Projects. October 30, 2012. http://savingsgroups.com/projects/search (accessed November 29, 2012).

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